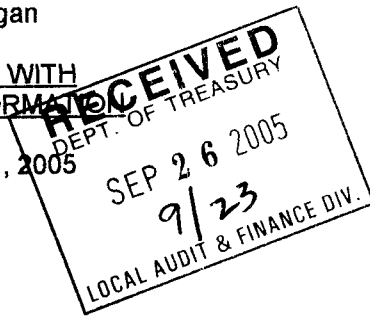


TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

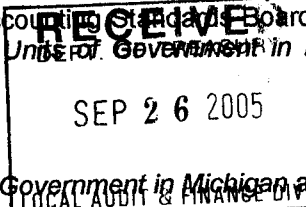


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Kawkawlin	County Bay
Audit Date March 31, 2005	Opinion Date June 2, 2005	Date Accountant Report Submitted to State: September 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 2, 2005

To the Township Board
Township of Kawkawlin
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Kawkawlin, Bay County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Kawkawlin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Kawkawlin, Bay County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Kawkawlin covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$6,906,704.34 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$1,388,637.86 from governmental activities. Governmental activities had a \$97,607.49 increase in net assets.

Taxable value increased by approximately \$4,896,912.00 or 4.0%.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Special Revenue Funds and the Current Tax Collection Fund.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Special Revenue Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We did an extension of water service on River Road west of Mackinaw and east of M-13 and financed it internally.

Our cash position in the governmental activities remains strong.

Our long-term debt totals \$1,759,956.18.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$868,542.17.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$212,338.81 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 1836 E. Parish Road, Kawkawlin, Michigan 48631.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	997 051 43
Investments	7 033 94
Taxes receivable	42 507 46
Special assessments receivable	<u>124 349 69</u>
Total Current Assets	<u>1 170 942 52</u>
NON-CURRENT ASSETS:	
Capital Assets	11 137 140 48
Less: Accumulated Depreciation	<u>(3 517 072 79)</u>
Total Non-current Assets	<u>7 620 067 69</u>
TOTAL ASSETS	<u>8 791 010 21</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>124 349 69</u>
Total Current Liabilities	<u>124 349 69</u>
NON-CURRENT LIABILITIES:	
Contracts payable	416 747 59
Bonds payable	<u>1 343 208 59</u>
Total Non-current Liabilities	<u>1 759 956 18</u>
Total Liabilities	<u>1 884 305 87</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	5 860 111 51
Unrestricted	<u>1 046 592 83</u>
Total Net Assets	<u>6 906 704 34</u>
TOTAL LIABILITIES AND NET ASSETS	<u>8 791 010 21</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants - Contributions	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	56 136 51	-	-	(56 136 51)
General government	235 498 99	98 762 89	-	(136 736 10)
Public safety	223 875 56	66 066 06	-	(157 809 50)
Public works	673 550 22	338 959 24	144 275 56	(190 315 42)
Culture and recreation	10 105 75	-	-	(10 105 75)
Interest on long-term debt	91 863 34	-	75 812 33	(16 051 01)
Total Governmental Activities	<u>1 291 030 37</u>	<u>503 788 19</u>	<u>220 087 89</u>	<u>(567 154 29)</u>
General Revenues:				
Property taxes				254 004 92
State revenue sharing				355 297 76
Interest				14 634 35
Miscellaneous				<u>40 824 75</u>
Total General Revenues				<u>664 761 78</u>
Change in net assets				97 607 49
Net assets, beginning of year				<u>6 809 096 85</u>
Net Assets, End of Year				<u>6 906 704 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Trash</u>
<u>Assets</u>			
Cash in bank	758 548 34	(678 77)	29 665 61
Investments	7 033 94	-	-
Taxes receivable	15 758 63	8 245 83	18 300 00
Special assessments receivable	124 349 69	-	-
Due from other funds	<u>35 142 37</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>940 832 97</u></u>	<u><u>7 567 06</u></u>	<u><u>47 965 61</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deferred revenue	<u>124 349 69</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>124 349 69</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>816 483 28</u>	<u>7 567 06</u>	<u>47 965 61</u>
Total fund equity	<u><u>816 483 28</u></u>	<u><u>7 567 06</u></u>	<u><u>47 965 61</u></u>
Total Liabilities and Fund Equity	<u><u>940 832 97</u></u>	<u><u>7 567 06</u></u>	<u><u>47 965 61</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
174 373 88	961 909 06
-	7 033 94
203 00	42 507 46
-	124 349 69
-	35 142 37
<u>174 576 88</u>	<u>1 170 942 52</u>

<u>-</u>	<u>124 349 69</u>
<u>-</u>	<u>124 349 69</u>

<u>174 576 88</u>	<u>1 046 592 83</u>
<u>174 576 88</u>	<u>1 046 592 83</u>
<u>174 576 88</u>	<u>1 170 942 52</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 046 592 83
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	11 137 140 48
Accumulated depreciation	(3 517 072 79)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contracts payable	(416 747 59)
Bonds payable	<u>(1 343 208 59)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>6 906 704 34</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Trash</u>
Revenues:			
Property taxes	135 554 14	118 450 78	-
Licenses and permits	33 840 66	-	-
State revenue sharing	353 491 01	-	-
Charges for services	50 435 95	-	-
Interest	14 634 35	-	-
Special assessments	126 071 28	-	205 814 00
Contributions from County	220 087 89	-	-
Miscellaneous	<u>40 262 12</u>	<u>57 20</u>	<u>120 00</u>
Total revenues	<u>974 377 40</u>	<u>118 507 98</u>	<u>205 934 00</u>
Expenditures:			
Legislative:			
Township Board	56 136 51	-	-
General government:			
Supervisor	20 534 00	-	-
Elections	5 398 47	-	-
Assessor	30 330 56	-	-
Clerk	22 550 00	-	-
Board of Review	703 14	-	-
Treasurer	22 746 00	-	-
Building and grounds	51 684 24	-	-
Cemetery	-	-	-
Unallocated	50 899 21	-	-
Public safety:			
Fire protection	92 288 20	38 993 60	-
Protective inspection	-	-	-
Planning and zoning	8 560 00	-	-
Public works:			
Drains	11 124 56	-	-
Highways and streets	103 293 42	-	-
Street lighting	-	-	-
Water and sewer	149 933 28	-	-
River treatment	-	-	-
Sanitation	-	-	174 194 38
Culture and recreation:			
Recreation	10 105 75	-	-
Debt service	<u>232 254 83</u>	<u>71 947 32</u>	<u>-</u>
Total expenditures	<u>868 542 17</u>	<u>110 940 92</u>	<u>174 194 38</u>
Excess of revenues over expenditures	105 835 23	7 567 06	31 739 62
Fund balances, April 1	<u>710 648 05</u>	<u>-</u>	<u>16 225 99</u>
Fund Balances, March 31	<u><u>816 483 28</u></u>	<u><u>7 567 06</u></u>	<u><u>47 965 61</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	254 004 92
56 369 00	90 209 66
1 806 75	355 297 76
26 570 30	77 006 25
-	14 634 35
4 687 00	336 572 28
-	220 087 89
<u>385 43</u>	<u>40 824 75</u>
<u>89 818 48</u>	<u>1 388 637 86</u>
-	56 136 51
-	20 534 00
-	5 398 47
-	30 330 56
-	22 550 00
-	703 14
-	22 746 00
-	51 684 24
26 593 37	26 593 37
-	50 899 21
-	131 281 80
45 385 46	45 385 46
-	8 560 00
-	11 124 56
-	103 293 42
2 617 52	2 617 52
-	149 933 28
899 11	899 11
-	174 194 38
-	10 105 75
<u>-</u>	<u>304 202 15</u>
<u>75 495 46</u>	<u>1 229 172 93</u>
14 323 02	159 464 93
<u>160 253 86</u>	<u>887 127 90</u>
<u>174 576 88</u>	<u>1 046 592 83</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 159 464 93

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (274 196 25)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 212 338 81

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 97 607 49

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Kawkawlin, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Kawkawlin. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.1444 mills, and the taxable value was \$118,455,112.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	10-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$7,620,067.69.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 020 831 05</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 000 00
Uninsured and Uncollateralized	<u>776 054 79</u>
Total Deposits	<u>1 076 054 79</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized:				
Operating Funds	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>7 033 94</u>
Total Investments				<u>7 033 94</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>35 142 37</u>	Current Tax Collection	<u>35 142 37</u>
Total	<u>35 142 37</u>	Total	<u>35 142 37</u>

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	5 000 00	-	-	5 000 00
Buildings	203 000 00	-	-	203 000 00
Equipment	795 561 00	-	-	795 561 00
Water and sewer systems	<u>10 133 579 48</u>	<u>-</u>	<u>-</u>	<u>10 133 579 48</u>
Total	11 137 140 48	-	-	11 137 140 48
Accumulated Depreciation	<u>(3 242 876 54)</u>	<u>(274 196 25)</u>	<u>-</u>	<u>(3 517 072 79)</u>
Net Capital Assets	<u>7 894 263 94</u>	<u>(274 196 25)</u>	<u>-</u>	<u>7 620 067 69</u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. During the year ended March 31, 2005, the Township contributed \$9,824.39 to the plan.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$56,369.00 and building permit expenses of \$45,385.46.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Changes in Long-Term Debt

The following is a summary of changes in long-term debt:

	Balance 4/1/04	Additions	Deductions	Balance 3/31/05
Contract payable – roads	18 099 31	-	12 166 94	5 932 37
Contract payable – sewer	56 000 00	-	14 000 00	42 000 00
Contract payable – fire truck	424 711 53	-	55 896 31	368 815 22
1982 Water bonds payable	691 880 00	-	28 240 00	663 640 00
1998 Water bonds payable	428 648 15	-	26 205 56	402 442 59
1997 General obligation Water bonds	56 400 00	-	18 800 00	37 600 00
Bay County West Side Regional Sewer	296 556 00	-	57 030 00	239 526 00
Total	<u>1 972 294 99</u>	<u>-</u>	<u>212 338 81</u>	<u>1 759 956 18</u>

Contract Payable – Roads

The contracts payable represent amounts due to the Bay County Road Commission.

Contract Payable – Sewer

On December 17, 1997, the Township entered into a contract with the Bay County Department of Water and Sewer for sewer line extensions. The contract requires ten annual payments of \$14,000.00 plus interest at 5.45% beginning June 1, 1998, through June 1, 2007.

Contract Payable – Fire Truck

On November 4, 2002, the Township entered into a contract to purchase a new fire truck and to refinance an existing contract on another fire truck. The contract requires monthly payments beginning January 1, 2003, through December 1, 2010, in the amount of \$5,995.61 including interest at the rate of 3.97% per annum.

Bonded Debt – 1982 Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue

Purpose of issue:	Acquisition of water supply system
Method of payment:	Revenue of water supply system
Date of issue:	10/13/82
Interest rate:	5%
Amount authorized and sold:	\$1,490,000.00
Bonds outstanding at March 31, 2005	\$940,000.00

The following is a detail of bonds outstanding at March 31, 2005. In addition, the Township is obligated to pay its pro rata share of the interest.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Changes in Long-Term Debt (continued)

Bonded Debt – 1982 Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue (continued)

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Kawkawlin Township Portion</u>
111-118	7-1-05	5%	40 000 00	28 240 00
119-127	7-1-06	5%	45 000 00	31 770 00
128-136	7-1-07	5%	45 000 00	31 770 00
137-145	7-1-08	5%	45 000 00	31 770 00
146-154	7-1-09	5%	45 000 00	31 770 00
155-164	7-1-10	5%	50 000 00	35 300 00
165-174	7-1-11	5%	50 000 00	35 300 00
175-184	7-1-12	5%	50 000 00	35 300 00
185-194	7-1-13	5%	50 000 00	35 300 00
195-205	7-1-14	5%	55 000 00	38 830 00
206-216	7-1-15	5%	55 000 00	38 830 00
217-227	7-1-16	5%	55 000 00	38 830 00
228-238	7-1-17	5%	55 000 00	38 830 00
239-250	7-1-18	5%	60 000 00	42 360 00
251-262	7-1-19	5%	60 000 00	42 360 00
263-274	7-1-20	5%	60 000 00	42 360 00
275-286	7-1-21	5%	60 000 00	42 360 00
287-298	7-1-22	5%	60 000 00	42 360 00
Total			<u>940 000 00</u>	<u>663 640 00</u>

On October 13, 1982, pursuant to an agreement with the Township of Fraser and Kawkawlin, Bay County, issued \$1,490,000.00 of its bonds to finance the cost of construction of Bay County Water Supply System (Fraser – Kawkawlin). The Township of Fraser is responsible for \$438,060.00, 29.4% of the project and the Township of Kawkawlin is responsible for \$1,051,940.00, 70.6% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2005, the bonds outstanding amounted to \$940,000.00 plus interest. Kawkawlin Township's portion of the bonds outstanding is \$663,640.00.

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

Bonded Debt – 1998 Bay County Water Supply System (Fraser – Kawkawlin Extension) Bond Issue

Purpose of issue:	Acquisition of water distribution mains
Method of payment:	Revenue of water supply system
Date of issue:	7/1/98
Interest rate:	4.85% to 5.00%
Amount authorized and sold:	\$1,375,000.00
Bonds outstanding at March 31, 2005	\$1,075,000.00

The following is a detail of bonds outstanding at March 31, 2005. In addition, the Township is obligated to pay its pro rata share of the interest.

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Changes in Long-Term Debt (continued)

Bonded Debt – 1998 Bay County Water Supply System (Fraser – Kawkawlin Extension) Bond Issue
(continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Kawkawlin Township Portion</u>
5-1-05	4.85%	75 000 00	28 077 39
5-1-06	4.85%	75 000 00	28 077 39
5-1-07	4.85%	75 000 00	28 077 39
5-1-08	4.85%	75 000 00	28 077 39
5-1-09	4.85%	60 000 00	22 461 91
5-1-10	4.85%	60 000 00	22 461 91
5-1-11	4.85%	65 000 00	24 333 74
5-1-12	4.85%	65 000 00	24 333 74
5-1-13	4.85%	75 000 00	28 077 39
5-1-14	4.85%	80 000 00	29 949 22
5-1-15	4.85%	85 000 00	31 821 04
5-1-16	4.90%	90 000 00	33 692 87
5-1-17	4.95%	95 000 00	35 564 69
5-1-18	5.00%	<u>100 000 00</u>	<u>37 436 52</u>
Total		<u>1 075 000 00</u>	<u>402 442 59</u>

On July 1, 1998, pursuant to an agreement with the Townships of Fraser and Kawkawlin, Bay County issued \$1,375,000.00 of its bonds to finance the cost of construction of the Bay County Water Supply System (Fraser – Kawkawlin Extension). The Township of Fraser is responsible for \$860,247.86, 62.56% of the project and the Township of Kawkawlin is responsible for \$514,753.00, 37.44% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2005, the bonds outstanding amounted to \$1,075,000.00 plus interest. Kawkawlin Township's portion of the bonds outstanding is \$402,442.59.

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

Bay County 1997 General Obligation Water Bonds

On May 1, 1997, Bay County issued \$790,000.00 of its bonds. The Township of Kawkawlin is responsible for a portion of the bonds plus interest. As of March 31, 2005, the Township of Kawkawlin's outstanding principal balance is \$37,600.00.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Kawkawlin Township Portion</u>
1-1-06	5.1%	18 800 00
1-1-07	5.2%	<u>18 800 00</u>
Total		<u>37 600 00</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Changes in Long-Term Debt (continued)

Bonded Debt – Bay County West Side Regional Sewer

During 1978, Bay County issued \$28,000,000.00 of its bonds. The Township of Kawkawlin is responsible for a portion of the bonds plus interest. As of March 31, 2005, the Township of Kawkawlin's outstanding principal balance is \$239,526.00.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Kawkawlin Township Portion</u>
5-1-05	5.5%	57 030 00
5-1-06	5.5%	60 832 00
5-1-07	5.5%	60 832 00
5-1-08	5.5%	<u>60 832 00</u>
Total		<u><u>239 526 00</u></u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	136 500 00	136 500 00	135 554 14	(945 86)
Licenses and permits	23 920 00	23 920 00	33 840 66	9 920 66
State revenue sharing	355 475 00	355 475 00	353 491 01	(1 983 99)
Charges for services	63 360 00	63 360 00	50 435 95	(12 924 05)
Interest	7 500 00	7 500 00	14 634 35	7 134 35
Special assessments	288 204 00	83 000 00	126 071 28	43 071 28
Contributions from County	-	220 087 89	220 087 89	-
Miscellaneous	25 440 00	25 440 00	40 262 12	14 822 12
Total revenues	900 399 00	915 282 89	974 377 40	59 094 51
Expenditures:				
Legislative:				
Township Board	46 982 00	57 158 00	56 136 51	(1 021 49)
General government:				
Supervisor	20 568 00	20 568 00	20 534 00	(34 00)
Elections	5 000 00	5 447 00	5 398 47	(48 53)
Assessor	29 120 00	30 718 00	30 330 56	(387 44)
Clerk	23 068 00	23 068 00	22 550 00	(518 00)
Board of Review	750 00	761 00	703 14	(57 86)
Treasurer	23 068 00	23 068 00	22 746 00	(322 00)
Building and grounds	33 650 00	52 772 00	51 684 24	(1 087 76)
Unallocated	50 075 00	60 186 00	50 899 21	(9 286 79)
Public safety:				
Fire protection	218 016 00	98 281 00	92 288 20	(5 992 80)
Planning and zoning	4 450 00	10 150 00	8 560 00	(1 590 00)
Public works:				
Drains	10 500 00	11 225 00	11 124 56	(100 44)
Highways and streets	114 089 00	104 029 06	103 293 42	(735 64)
Water and sewer	309 463 00	160 762 00	149 933 28	(10 828 72)
Culture and recreation:				
Recreation	11 600 00	11 900 00	10 105 75	(1 794 25)
Debt service	-	232 254 83	232 254 83	-
Total expenditures	900 399 00	902 347 89	868 542 17	(33 805 72)
Excess of revenues over expenditures	-	12 935 00	105 835 23	92 900 23
Fund balance, April 1	-	-	710 648 05	710 648 05
Fund Balance, March 31	-	12 935 00	816 483 28	803 548 28

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property tax	-	118 382 00	118 450 78	68 78
Miscellaneous	-	2 318 00	57 20	(2 260 80)
Total revenues	-	120 700 00	118 507 98	(2 192 02)
Expenditures:				
Public safety:				
Fire protection	-	48 700 00	38 993 60	(9 706 40)
Debt service	-	72 000 00	71 947 32	(52 68)
Total expenditures	-	120 700 00	110 940 92	(9 759 08)
Excess of revenues over expenditures	-	-	7 567 06	7 567 06
Fund balance, April 1	-	-	-	-
Fund Balance, March 31	-	-	7 567 06	7 567 06

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – TRASH FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	-	205 204 00	205 814 00	610 00
Miscellaneous	-	-	120 00	120 00
Total revenues	-	205 204 00	205 934 00	730 00
Expenditures:				
Public works:				
Sanitation	-	190 000 00	174 194 38	(15 805 62)
Total expenditures	-	190 000 00	174 194 38	(15 805 62)
Excess of revenues over expenditures	-	15 204 00	31 739 62	16 535 62
Fund balance, April 1	-	-	16 225 99	16 225 99
Fund Balance, March 31	-	15 204 00	47 965 61	32 761 61

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Liquor</u>	<u>Fire</u>	<u>Building</u>	<u>Cemetery</u>
<u>Assets</u>				
Cash in bank	3 396 33	(678 77)	74 408 75	44 278 72
Taxes receivable	-	8 245 83	-	-
Total Assets	<u>3 396 33</u>	<u>7 567 06</u>	<u>74 408 75</u>	<u>44 278 72</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>3 396 33</u>	<u>7 567 06</u>	<u>74 408 75</u>	<u>44 278 72</u>
Total Fund Balances	<u>3 396 33</u>	<u>7 567 06</u>	<u>74 408 75</u>	<u>44 278 72</u>

<u>Street Light</u>	<u>Budget Stabilization</u>	<u>River Treatment</u>	<u>Trash</u>	<u>Total</u>
1 329 19	50 000 00	960 89	29 665 61	203 360 72
<u>203 00</u>	<u>-</u>	<u>-</u>	<u>18 300 00</u>	<u>26 748 83</u>
<u>1 532 19</u>	<u>50 000 00</u>	<u>960 89</u>	<u>47 965 61</u>	<u>230 109 55</u>
<u>1 532 19</u>	<u>50 000 00</u>	<u>960 89</u>	<u>47 965 61</u>	<u>230 109 55</u>
<u>1 532 19</u>	<u>50 000 00</u>	<u>960 89</u>	<u>47 965 61</u>	<u>203 109 55</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Liquor</u>	<u>Fire</u>	<u>Building</u>	<u>Cemetery</u>
Revenues:				
Property tax	-	118 450 78	-	-
Licenses and permits	-	-	56 369 00	-
State revenue sharing	1 806 75	-	-	-
Charges for services	-	-	-	26 570 30
Special assessments	-	-	-	-
Miscellaneous	-	57 20	-	385 43
Total revenues	<u>1 806 75</u>	<u>118 507 98</u>	<u>56 369 00</u>	<u>26 955 73</u>
Expenditures:				
General government:				
Cemetery	-	-	-	26 593 37
Public safety:				
Fire protection	-	38 993 60	-	-
Protective inspection	-	-	45 385 46	-
Public works:				
Street lighting	-	-	-	-
River treatment	-	-	-	-
Sanitation	-	-	-	-
Debt service	-	71 947 32	-	-
Total expenditures	<u>-</u>	<u>110 940 92</u>	<u>45 385 46</u>	<u>26 593 37</u>
Excess of revenues over expenditures	1 806 75	7 567 06	10 983 54	362 36
Fund balances, April 1	<u>1 589 58</u>	<u>-</u>	<u>63 425 21</u>	<u>43 916 36</u>
Fund Balances, March 31	<u><u>3 396 33</u></u>	<u><u>7 567 06</u></u>	<u><u>74 408 75</u></u>	<u><u>44 278 72</u></u>

<u>Street Light</u>	<u>Budget Stabilization</u>	<u>River Treatment</u>	<u>Trash</u>	<u>Total</u>
-	-	-	-	118 450 78
-	-	-	-	56 369 00
-	-	-	-	1 806 75
-	-	-	-	26 570 30
2 827 00	-	1 860 00	205 814 00	210 501 00
-	-	-	120 00	562 63
<u>2 827 00</u>	<u>-</u>	<u>1 860 00</u>	<u>205 934 00</u>	<u>414 260 46</u>
-	-	-	-	26 593 37
-	-	-	-	38 993 60
-	-	-	-	45 385 46
2 617 52	-	-	-	2 617 52
-	-	899 11	-	899 11
-	-	-	174 194 38	174 194 38
-	-	-	-	71 947 32
<u>2 617 52</u>	<u>-</u>	<u>899 11</u>	<u>174 194 38</u>	<u>360 630 76</u>
209 48	-	960 89	31 739 62	53 629 70
<u>1 322 71</u>	<u>50 000 00</u>	<u>-</u>	<u>16 225 99</u>	<u>176 479 85</u>
<u>1 532 19</u>	<u>50 000 00</u>	<u>960 89</u>	<u>47 965 61</u>	<u>230 109 55</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>38 320 69</u>	<u>3 803 653 57</u>	<u>3 783 052 27</u>	<u>58 921 99</u>
<u>Liabilities</u>				
Due to other funds	27 302 26	502 919 85	495 079 74	35 142 37
Due to others	<u>11 018 43</u>	<u>3 300 733 72</u>	<u>3 287 972 53</u>	<u>23 779 62</u>
Total Liabilities	<u>38 320 69</u>	<u>3 803 653 57</u>	<u>3 783 052 27</u>	<u>58 921 99</u>

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>38 320 69</u>
Cash receipts:	
Property tax	3 760 864 11
Interest	5 392 06
Property tax administration fee	<u>37 397 40</u>
Total cash receipts	<u>3 803 653 57</u>
Total beginning balance and cash receipts	<u>3 841 974 26</u>
Cash disbursements:	
Township General Fund	184 630 96
Township Street Light Fund	2 624 00
Township Fire Fund	118 450 78
Township Trash Fund	187 514 00
Township River Treatment Fund	1 860 00
Bay County	1 892 856 04
Bay Metro Transit	82 497 73
Delta College	228 282 81
Bay-Arenac Intermediate School District	554 335 30
Bay City Schools	403 336 88
Pinconning Area Schools	84 147 30
Linwood Water District	29 999 82
State of Michigan	1 826 25
Refunds	<u>10 690 40</u>
Total cash disbursements	<u>3 783 052 27</u>
Cash in Bank – End of Year	<u>58 921 99</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

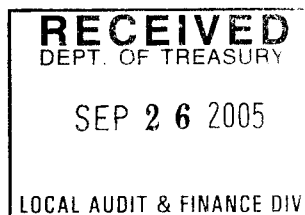
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 2, 2005

To the Township Board
Township of Kawkawlin
Bay County, Michigan



We have audited the financial statements of the Township of Kawkawlin for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Kawkawlin in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Kawkawlin
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Kawkawlin began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Kawkawlin
Bay County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants